



Director of
Central Intelligence

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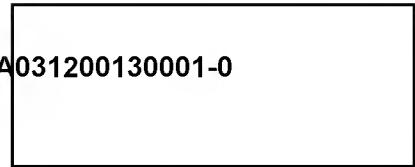
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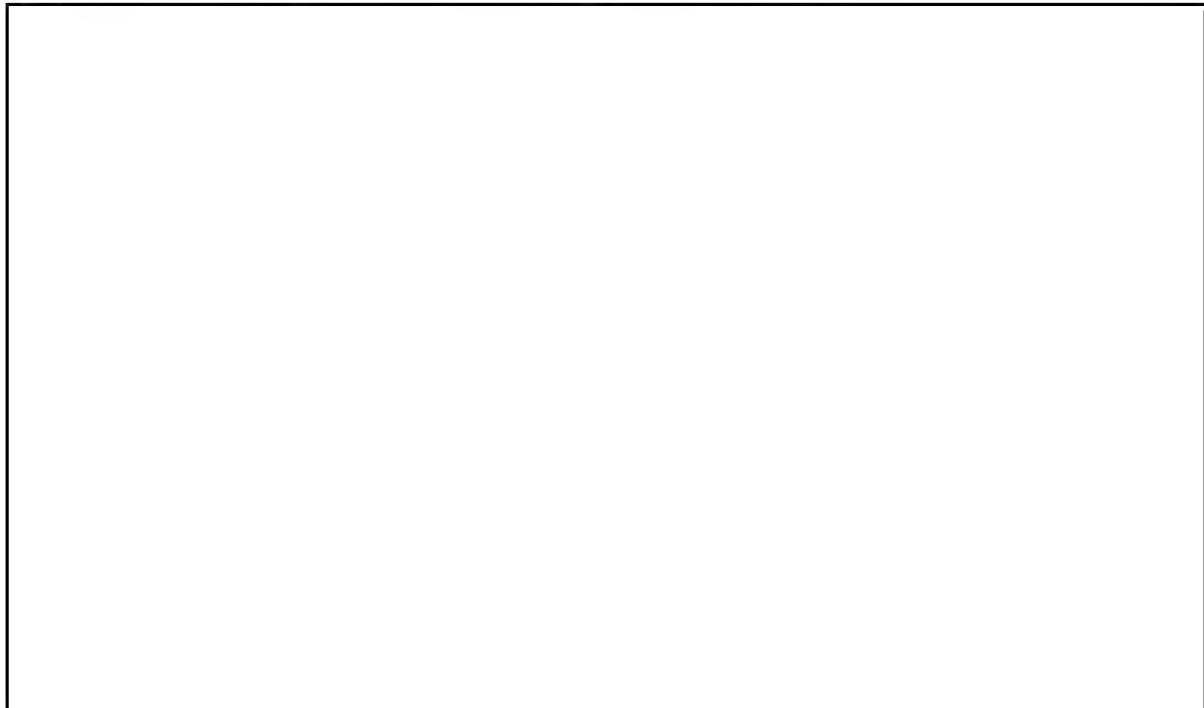
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BRIEFS AND COMMENTS

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OPEC: Price and Production Developments



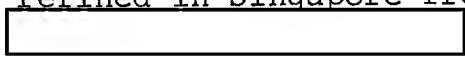
//Several other OPEC countries have recently announced cutbacks in contract deliveries.

-- Libya has announced that on 1 April it will cut by 12 to 18 percent the export of crude under long-term contracts. Tripoli may sell some of this crude on the spot market.

-- Algeria has also requested buyers to accept "voluntarily" a 10 to 15 percent cutback. This crude will probably be sold on the spot market.

-- Indonesia has reportedly warned all its buyers of a possible reduction in deliveries because it can no longer import kerosene previously refined in Singapore from Iranian crude.//

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CHAD: Peace Conference Ends

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The Nigerian-sponsored meeting between Chadian Government and rebel representatives ended yesterday with the signing of an interim peace agreement. The country is still far from a durable political settlement.

We know few details about the interim agreement except that a joint peacekeeping force composed of troops from Nigeria, Niger, Cameroon, Libya, and Sudan will help implement it. Some Nigerian troops are already in Ndjamena assisting the French in policing a cease-fire between forces of Christian President Malloum and Muslim Prime Minister Habre.

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Although the pact may ease the current confrontation, a durable political settlement is unlikely, given the continuing religious and regional polarization brought about by the struggle between Malloum and Habre and the increasing amount of sectarian violence.

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The government's military position continues to deteriorate as troops loyal to Malloum abandon more garrisons and territory in central and eastern Chad to forces loyal to Habre and rebel leader Goukouni. Libyan-backed rebels attempting to surround the French and government garrison at Abeche have suffered heavy casualties in two unsuccessful attacks over the last two weeks.

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IRAQ: Concern about Kurds

Iraqi leaders are worried that a breakdown of central control in Iran combined with the pressure from Iranian Kurds for autonomy will revive Kurdish insurgency in Iraq. Thus far, unrest among the Iraqi Kurds does not appear to have increased beyond sporadic guerrilla activity, but the Kurds' long history of rebellion gives reason for Baghdad's concern.

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Army morale in the Kurdish areas is very low. Many officers and most enlisted men stationed in this region are Shia Muslims from southern Iraq who probably have no heart for another costly fight with the Sunni Kurds. Shia troops bore the brunt of the fighting in the most recent large-scale uprising by Iraqi Kurds, which finally collapsed in 1975.//

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USSR: Industrial Production Statistics

The Soviet press will not report monthly industrial production statistics this year, probably to conceal the extent of current economic difficulties. An official of the Central Statistical Administration informed the US Embassy in Moscow that only quarterly plan fulfillment statistics will be published this year. The curtailment ends a practice that has persisted since the mid-1960s and continues the trend toward reduced economic reporting that began when difficulties arose in meeting goals of the 1976-80 Plan.

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Despite the lack of production statistics for January, isolated press reports suggest that the economy's poor performance in 1978 has continued. An unusual Council of Minister's meeting was held on 9 February to discuss shortcomings in 1978 and January 1979. The sub-plan output of oil extraction, coal, rolled ferrous metals, fertilizer, and meat, as well as the poor performance of the construction sector were sharply criticized by the Council.

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Unusually severe winter weather has contributed to Moscow's current problems, slowing raw material deliveries and creating an unusually strong demand for fuel, which was aggravated by the interruption of gas deliveries from Iran.

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SPECIAL ANALYSIS

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BRAZIL: Challenges for the New President

The inauguration today of Joao Baptista Figueiredo, fifth in the line of generals who have led Brazil since 1964, carries more than the usual significance. Figueiredo is widely expected to continue the political liberalization begun by outgoing President Geisel, possibly even giving way to an elected civilian when his own term ends in 1985. The coming period will be difficult under any circumstances, and it is likely to be further complicated by mounting economic problems, which pose increasingly tough policy choices and afford a diminishing margin for error.

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Liberalization to date has resulted in the virtual end of press censorship, a dramatic reduction in security excesses, and major steps to curb the regime's authoritarian powers. There is now a generalized expectation that the role of civilians in national decisionmaking will increase substantially and that the armed forces' dominance will correspondingly recede. Figueiredo promises, though with few specifics, that he will "make Brazil a democracy."

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It will be the new government that defines the nature--and limits--of liberalization as it goes along. The process is certain to be complicated because both civilians and military men will continually be groping for ways to relate to each other in a changed environment and because there is still a significant, though small, minority within the military hierarchy that will eagerly seize on any excuse to argue forcefully against liberalization. The new regime, having rescinded its most sweeping decree powers, will have somewhat diminished authority with which to handle the political challenges that are sure to come from increasingly restive civilian groups.

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//Figueiredo's first serious challenge will come from labor, which in the last year or two has expressed its grievances more vigorously than at any time since the military takeover. Auto workers in the key state of Sao Paulo are already on strike and others may soon follow their example. [redacted]

The new president will also have to contend with a more assertive political opposition than his predecessors had to deal with. In last fall's congressional balloting, as in other, previous elections, opposition candidates fared very well, especially in the urbanized, economically more advanced sections of the country. The last election produced gains for the nationalist and leftist wing of the opposition party. Many issues lend themselves to exploitation--inequitable income distribution, the role of foreign investment, inflation, jobs, and liberalization itself. [redacted]

Among Figueiredo's stated priorities are:

- A serious effort to reduce inflation, now running at over 40 percent, chiefly by "substantially" cutting government spending.
- A return to private hands of those public companies and services in which state ownership is not essential "to correct market imperfections or protect national security."
- Measures to revitalize agriculture, bring down or at least stabilize food prices, and produce exportable surpluses.
- Changes in the tax structure, along with other credit and fiscal devices to reduce "significantly" income and regional disparities.
- A concerted effort to deal with massive foreign debt by increasing domestic savings in both the private and public sectors. [redacted]

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These plans already have been dealt a serious blow by simultaneous flooding and drought conditions now affecting large parts of the country. Large amounts of produce and cropland have been destroyed, significantly reducing what is available to export for badly needed foreign exchange and putting upward pressure on domestic prices.

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After Figueiredo takes office there may be somewhat greater cordiality in Brazil's relations with the US. He is replacing a testy, nationalistic foreign minister with a career diplomat known for his evenhanded views and low-keyed manner. The new President and his advisers do, however, share the concern of their predecessors over US policies in the areas of trade, nuclear non-proliferation, and human rights. They will be watching for signs of renewed pressure in these areas.

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The effects of Figueiredo's presidency will be felt long after he leaves office. If the next few years produce serious tensions, the military will be tempted to tighten rather than relax its grip. Such a decision would not merely dash the raised hopes of civilians, it could produce a violent popular reaction with lasting consequences. If the Figueiredo years go well, however, national confidence will be buoyed and the likelihood of stability greatly increased.

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